Rate Change Implementation

What　These guidelines describe how to apply rate changes appropriately to projects. This is an important requirement for financial reconciliation that is generally done at the end of each fiscal year (September).

Why　To ensure projects do not vary too far from the current rate tables or incur excessive variances.

1 Background

For future discussions, financial rate adjustments are classified as routine or annual. Routine adjustments are rate adjustments made other than the annual reconciliation.

Note: It is not required to make project BCWS adjustments due to finance's routine adjustment.

To ensure projects do not vary too far from the current rate tables or incur excessive variances, the annual financial reconciliation requires rate changes to be applied; this is generally done at the end of September.

2 Rate Change Implementation

Cobra has the ability to maintain rate tables for current and new rates. Projects can compare the cost impacts using the current rate table vs. new rate table in the ETC projection. Projects that do not desire to include the routine rate adjustments can continue using their current rate file. Projects that desire to include the routine rate adjustments will need to select/apply the new rate table to the baseline, after processing appropriate change control. The ETC methodology and rate file selection processes will be further defined for Project Controls personnel.

The rate changes affect future planning and BCWS calculations, provided the new rate file is selected to set a new BCWS. If you do not select the rate file to apply the new rates, the rates will not be applied to your present budget and there will be no change to BCWS. If a project does not apply the routine rate changes, the project may incur variances, which should be addressed in Variance Analysis Reports (VARs). Also, the project should account for the changes to future work by adjusting the project's Estimate to Completion (ETC).

When incorporating the new rates, it is encouraged that all projects follow a change control process. When baselined projects incorporate rate changes, those changes must follow change control processes.

Note: You cannot adjust for past BCWS and BCWP; however, through change control you can apply the new rate for future work scope or BCWS.

Note: The guidance from NDIA's ANSI 748-B Intent Guide, August 2012 2.5.c guideline 30: "cumulative values for BCWS and BCWP will not be adjusted for routine direct and/or indirect cost rate increases or decreases."

In setting baselines for Director and DOE reviews, several projects have or will re-plan work by making BCWS, BCWP, and ACWP equal after the financial systems has applied the new rates. When performing this action, the new rates will be applied to past work as actual costs. The consequences of project re-planning are unavoidable at this time, but re-planning cannot be a normal course of action during project execution as it violates the intent of ANSI 748-B and DOE O 413-3B guidelines. Since re-planning projects eliminates all project variances, re-plan efforts after DOE reviews should only be performed with the explicit approval of DOE.

Once the new tables are available, the Project Managers can decide what to do with the new rates. Other actions that can be performed by the project manager include: analyses of impacts, deciding how to utilize the rate tables, make appropriate back-up files, or prepare necessary change control documentation. For routine rate adjustments, Project Controls will not make changes to Cobra's rate tables that are assigned to the project, but projects should be aware that the rate changes may already be applied to the actual costs per the finance department, i.e., actuals will be or are adjusted in the month the rate change is applied.

Note: Sometime in September, when it's time to implement the annual rate change, an implementation timeframe will be given for the projects to prepare the necessary change control documentation and apply the new rate. After the set implementation timeframe has been given, the Project Controls Cobra Administrator ensures all projects have applied the new rate table and the alternate table will be removed.

3   Document Revision History

Date	Version	Author	Description
7/10/2014	1.0	Richard Marcum	This is the initial release of this document.